RV BUSINESS

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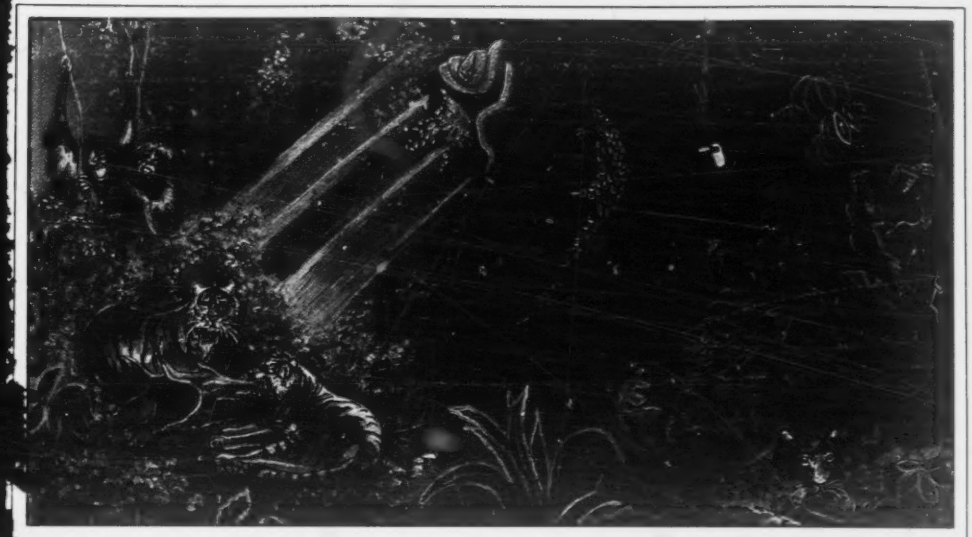
APRIL 6, 1990



SURVIVING THE 1990 MARKET JUNGLE: Dealers are stalking wary 1990 buyers with cautious inventory planning and aggressive fights for market share. See cover story and feature on page 34.

Industry Reports Intensified Price Competition

The RV marketplace in the first half of 1990 appears to be as competitive as any in recent memory. According to industry insiders, "price is king" in all product categories thanks to a "nervous" and "apprehensive" market in which dealer inventories are sometimes still higher than desired.

As a result, low-end equipment abounds, wholesale- and retail-incentive programs are prevalent, and margins are reported to be tight. And, although buyers apparently were returning to RV shows and dealerships in acceptable numbers this spring, dealers said those buyers were bargaining hard at closing. *(See feature, "Survival of the Fittest," page 34.)*

"Right now, the consumer is getting his best value from manufacturers, probably the best buy for the dollar that he has been able to obtain in a number of years," said Bill Garvey, a senior vice president of Starcraft Corp., Goshen, Ind.

"It's competitive all over," agreed Bob Kropf, board chairman of Kropf Manufacturing Co. Inc., a Goshen, Ind., towable manufacturer. "I think it's a buyer's market right now."

The good news is that the business is there, even if much of it is at inexpensive, low-margin price points. By and large, dealers have seen a real upsurge in traffic and sales since mid-February – to the extent that Kelly Shanholtzer, sales manager for Beckley's Camping Center, Thurmont, Md., was perfectly comfortable with a $2 million inventory in late February. Selling particularly well, according to Shanholtzer, were low-priced towables and mid-

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HRC Speeds Restructuring Plan

Holiday Rambler Corp. (HRC) is accelerating a "radical restructuring" program that, within a year, promises to bring changes to almost every facet of the Wakarusa, Ind., company's RV Division and its 900 salaried and hourly workers.

In an exclusive interview with *RV Business*, HRC President and Chief Executive Officer H. Wayne Dahl in late February explained that HRC is borrowing from the corporate experience of the Japanese in an attempt to replicate the legendary early-1980's turnaround of its parent company, Harley-Davidson Inc. (Milwaukee, Wis.-based Harley-Davidson acquired HRC from the Klingler family some three years ago.

In fact, Dahl expressed concern that HRC, which has had to battle for market-share domestically in its premium-priced RV market, may someday face the same competitive challenge from Japan that confronted Harley 10 years ago. "There are those in the industry who think that the Japanese will not penetrate or enter this industry," said Dahl, a former Winnebago Industries Inc. executive who joined HRC in 1987. "We believe the Japanese will (enter the U.S.

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The success of Fleetwood's lower-priced, downsized Flair motorhome has sparked dealer and manufacturer interest in this Class A niche. Industry observers attempt to define the market and explain the attractions of these small, bus-profile units.

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Coming out of the rough 1989 market, dealers expect relatively flat 1990 sales to require a combination of defensive inventory planning, predatory fights for market share and creative stalking of wary buyers.

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JANUARY '90 STARTED SLOW

GAYLORD MAXWELL

This year did not start off well for RV dealers. Figures from RVB's Dealer Advisory Board (DAB) reveal that 73% of them took in fewer dollars in January 1990 than they did in the first month of 1989.

The average drop for the group was 20%. Only six of the 22 members managed to top last year's sales-volume figures. One of those six was one of our larger dealership members; two were medium-size dealerships, and three were small. Although dollars taken in did not necessarily mean dollars kept, it was an inescapable fact that 1990 started off rather poorly.

Overall, grosses weren't too bad. Although there were more poor profit ratings than usual, profits were more often in the good or fair columns. Used prices apparently held up well, and the service business was good. Although a few dealers considered their bottom lines good, most rated them only fair or poor.

New inventories were high, according to more than half of our DAB members; used supplies varied, with some dealers reporting them low. Traffic was reported low or average, and new buyers were not out in great numbers.

From a retail standpoint, it looks like a tough year ahead. But a slow start-up isn't anything new for RV dealers. There still are 11 months ahead for smart, aggressive dealers to turn things around.

Motorhomes

Motorhome dealers really felt a letdown in January. Of the 18 DAB members who stock that type, only three managed to exceed last year's new-unit sales figures – two by two units and one by four units. None of the large dealerships who specialize in this type beat last year's numbers. In fact, some were down by 40% to 50%. Although used sales weren't down as much as new, a 15% drop was impressive since used sales had been quite good. Profits were rated generally good on both new and used.

It would be very premature to conclude that the popularity of the motorhome is on the decline. In the months to come, we hope to discover that January was a fluke. But it does indicate the elusiveness of a stable market for that and other RV types.

Travel Trailers

The reverse of the motorhome picture is shown by this type in January. New-unit sales increased a whopping 29%, and over half of the dealers of this type got those extra sales. Also unlike the motorhome category, all of the larger-trailer dealers were up, with only one exception. Used trailers didn't fare as well; they were down. However, prices were generally rated good – as they were for new units.

No one offered any explanation for the sudden surge in new-trailer sales. Let's hope that it is an indication for the year.

Truck Campers

January sales of new slide-ins kept pace with the same month last year. Although the larger dealers of this type slipped a unit or two, several of those who make just a few sales a year filled the breach. Used sales were excellent; the unit numbers weren't large, but a 129% increase was indeed impressive and indicated that there was a market for that type of RV. Profits were generally rated good.

Folding Camping Trailers

The market for new fold-downs was down a bit – just a few units, however. Used sales were off greatly in terms of percentages, but only down by four units. Profits were generally on the low side. January sales of this RV type are usually poor and are not a good forecasting indicator.

Fifth-wheels

It is quite unusual for this type to experience a drop in new-unit sales, but it happened in January. The 18% decline represented a seven-unit drop. Five DAB members were up in sales (four by one unit each, and one by six units); eight were down (mostly by a unit or two.). Used sales were up considerably. Profits were generally rated quite good. Δ

	NEW UNITS						USED UNITS					
	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	JAN. 1990	JAN. 1989	% CHANGE	1990	1989	% CHANGE	JAN. 1990	JAN. 1989	% CHANGE	1990	1989	% CHANGE
MOTORHOMES	111	158	−30	111	158	−30	120	142	− 15	120	142	− 15
TRAVEL TRAILERS	89	69	+29	89	69	+29	55	68	− 19	55	68	− 19
TRUCK CAMPERS	15	15	0	15	15	0	16	7	+129	16	7	+129
CAMPING TRAILERS	33	38	−13	33	38	−13	6	10	− 40	6	10	− 40
FIFTH-WHEELS	32	39	−18	32	39	−18	23	18	+ 28	23	18	+ 28

	FOR MONTH			YEAR-TO-DATE		
	JAN. 1990	JAN. 1989	% CHANGE	1990	1989	% CHANGE
SALES VOLUME	$10,372,000	$12,994,000	−20	$10,372,000	$12,994,000	−20
TOTAL UNIT SALES	500	564	−11	500	564	−11
NEW-UNIT SALES	280	319	−12	280	319	−12
USED-UNIT SALES	220	245	−10	220	245	−10

The "DAB Perspective" is a compilation of data provided by *RV Business*' Dealer Advisory Board, a group comprised of 23 dealers representing a cross section of the U.S. dealer body.

Gaylord Maxwell, chairman; **Dave Altman,** Baldwin Park, Calif.; **Bob Azevedo,** Sunnyvale, Calif.; **Jack Cole,** Pacoima, Calif.; **David McMann,** Victor, N.Y.; **Crosby Forrest,** Newport News, Va.; **Dan Gamel,** Fresno, Calif.; **Jerry Greer,** Columbus, Ohio; **Jerry Harrison,** Waco, Texas; **Robert Jensen,** Layton, Utah; **Johnny Ketelsen,** Marion, Iowa; **Newton Kindlund,** Orlando, Fla.; **Roger Kirschner,** Salem, Ore.; **Ozzie Lenhard,** Sayville, N.Y.; **Larry McClain,** Oklahoma City, Okla.; **Delores McNally,** Portland, Ore.; **Annette Miller,** Fayetteville, N.C.; **Jack Moran,** Warwick, R.I.; **Wayne Peay,** Albuquerque, N.M.; **Tom Schaeffer,** Shoemakersville, Pa.; **Mel Shipp,** Chattanooga, Tenn.; **Jack Sisemore,** Amarillo, Texas; **Bill Thomas,** Bridgeton, Mo.; **Randy Thompson,** Crystal Lake, Ill.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.